

## CITY MANAGER'S BUDGET UPDATE

As you know, the past few budget years have been challenging for the city, but we have some reasons to be cautiously optimistic:

- City sales tax collection from April through September 2010 has been positive – the first time since December 2007.
- Revenue for fiscal year 2009-10 was within 0.2% of the city's \$948 million target.
- Expenditures for the same period are \$16 million below estimates.
- Positive revenues and decreased expenditures resulted in an ending balance of \$46.8 million for fiscal year 2009-10, more than twice our estimate.

I am very pleased to share that we are experiencing our first “normal” budget calendar in several years.

The city's economic problems were caused by a global economic downturn, the likes of which had not been seen since the Great Depression. The “Great Recession” taught the city many things, including how to deliver more with less.

We now have the smallest city government in 40 years (9.7 employees per 1,000 residents in 1970 vs 9.5 per 1,000 in 2010). In addition, the city has:

- A much leaner work force – nearly 1,500 fewer city employees since 2008 (a 9% total reduction in employees). In fact, we captured these reductions in staffing through attrition in the vast majority of cases.
- A 2010-11 General Fund Budget that is \$79 million (7%) less than five years ago despite the fact that the city's population increased by 6% during that same period and dozens of new facilities were opened.

Speaking of employees, they deserve much of the credit for the improved budget outlook. Last spring, they agreed to 3.2% compensation concessions totaling \$70 million. Yet, they continue to work very hard to meet the needs of our residents and the city organization, and we are inspired by each other.

One of my first acts after being named city manager was to create the city's Innovation and Efficiency Task Force. This is an effort to build upon the successes of retired City Manager Frank Fairbanks. The group is made up of city staff, members of the public and business leaders who have been asked to explore, develop and implement innovative processes that will result in a more efficient delivery of city services and maximize the use of limited taxpayer dollars. To date, the group has identified \$19.3 million in General and Non-General fund savings. The goal is to reach \$10 million in General Fund savings.

Despite all the city has been through, we have never lost sight of our fiscal responsibility. Due to lower property values and actions taken by the City Council on the secondary property tax, the average homeowner will see a 40% reduction in city property taxes over the next two years. In fact, Phoenix remains one of only a handful of cities in America with a AAA credit rating with Standard and Poor's and Aa1 credit rating with Moody's.

I am grateful to the Mayor, City Council, city management and employee unions for their outstanding leadership during this difficult period. As we move toward becoming a stronger organization, we know we can count on the continued support of city retirees.